

March 29, 2010

Natural Gas Trends

Highlights

FERC MODIFIES POSTING REQUIREMENTS FOR CERTAIN MAJOR NON-INTERSTATE PIPELINES

On March 3, 2010, the Federal Energy Regulatory Commission's (FERC's) modified market transparency rules went into effect. The modified rules require certain major non-interstate pipelines to publicly post on an internet website specific information about the receipt and delivery of natural gas. Affected pipeline companies are required to comply with the agency's modified rules on or before July 1, 2010.

FERC defines the term "major non-interstate pipeline" as a pipeline that:

- Is not a natural gas pipeline under Section 1 of the Natural Gas Act and
- Delivers annually more than 50 million MMBtu of natural gas measured in average deliveries over the past three years.

The agency's adoption order notes (at Para. 48) that onshore Texas locations account for 30% of U.S. natural gas production, that Texas has more non-interstate pipelines than any other state and that the Texas pipeline network has experienced significant growth in recent years.

The Railroad Commission of Texas requested on March 9, 2010 that Texas Attorney General Greg Abbott take "appropriate action" to challenge FERC's authority over non-interstate pipelines. Specifically, the Commission requested that a *Petition for Review* be initiated with the appropriate United States Circuit Court of Appeals or by the submission of an amicus curiae brief in support of the *Petition for Review* filed by the Texas Pipeline Association with the 5th Circuit Court of Appeals on January 27, 2010.

The full text of FERC's January 21, 2010 *Order on Rehearing and Clarification* can be downloaded at:

<http://edocket.access.gpo.gov/2010/pdf/2010-1546.pdf>

Data

- April Natural Gas Futures Contract (Mar 26), NYMEX at Henry Hub closed at \$3.872
- April Light, Sweet Crude Oil Futures Contract (Mar 26), NYMEX at Cushing closed at \$82.17 per Bbl. or approximately \$13.08 per MMBtu

Last week: Texas Still Cooler Than Normal

For the heating season (7/1/09 to 6/30/10), cumulative heating degree days are 29% above normal for Texas and 5% below normal for the U.S. For the week beginning 3/21/10 and ending 3/27/10, heating degree days for Texas were above normal while heating degree days for the U.S. were below normal.

Source: www.cpc.ncep.noaa.gov

HEATING DEGREE DAYS (HDD)

City or Region	Total HDD for week ending 3/27/10	* Week HDD +/- from Normal	Year-to-date total HDD	* YTD % +/- from Normal
Amarillo	119	+11	4166	+ 8 %
Austin	61	+ 34	2156	+ 36 %
Dallas – FW	64	+ 22	2516	+ 11 %
El Paso	54	+ 3	2380	- 1 %
Houston	51	+ 25	1730	+ 18 %
San Antonio	44	+ 20	1739	+ 15 %
Texas**	68	+ 29	2248	+ 19 %
U.S.**	114	- 5	3959	+ 1 %

* A minus (-) value is warmer than normal; a plus (+) value is cooler than normal. NOAA uses 65° Fahrenheit as the 'normal' basis from which HDDs are calculated.

** State and U.S. degree days are population-weighted by NOAA.

Last week: Gas Storage Level Climbs to 1,626 Bcf

For the week ending 3/19/10, U.S. working gas in storage increased from 1,615 to 1,626 Bcf compared to 1,654 Bcf in storage a year ago and compared to an average of 1,505 Bcf in storage during the 5-year period from 2005 to 2009. Working gas in storage in the producing region (which includes Texas) increased from 562 to 581 Bcf.

Source: www.eia.doe.gov

U.S. WORKING GAS STORAGE

Region	Week ending 3/19/10	Prior Week	One-week Change	Current Δ from 5-YR Avg (%)
East	760	770	- 10	+ 9.2 %
West	285	283	+ 2	+ 25.0 %
Producing	581	562	+ 19	0.0 %
Lower 48 Total	1626	1615	+ 11	+ 8.0 %

Units in billion cubic feet (Bcf)

Last week: Gas Rig Count at 941, Up 2

The gas rig count for the U.S. was up 2 last week and up 131 when compared to 12 months ago. The U.S. total rig count was up 17 last week and up 405 when compared to 12 months ago.

Source: Baker Hughes

BAKER HUGHES ROTARY RIG COUNT

	As of 3/26/10	+/- Prior Week	Year Ago	+/- Year Ago
U.S. total	1444	+ 17	1039	+ 405
Gas	941	+ 2	810	+ 131
Oil	489	+ 15	217	+ 272
Texas	600	+ 5	413	+ 187
N. Amer.	1647	- 100	1143	+ 504

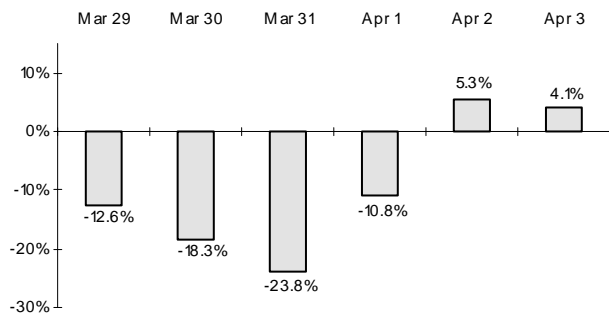
Numbers are excerpted and not meant to be totaled

This week: U.S. Energy Use to Fluctuate

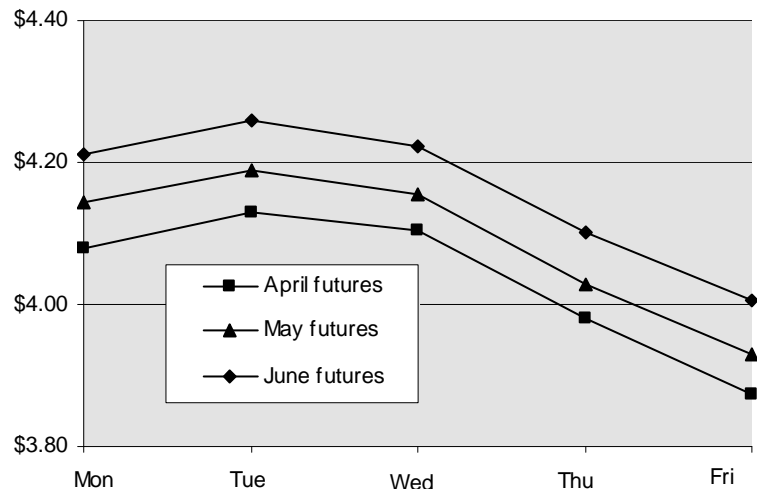
U.S. energy use is forecast to be significantly lower than normal through Thursday, followed by higher than normal energy use on Friday and Saturday, according to the Dominion Energy Index, as shown below. The index forecasts total U.S. residential energy usage, a component of which is natural gas.

Source: Dominion Energy Index

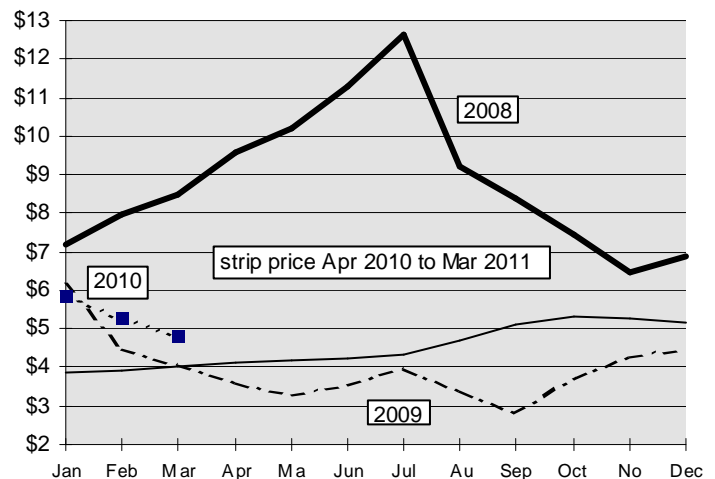
U.S. ENERGY USE FORECAST



NYMEX NATURAL GAS PRICE MOVEMENT 3/22/10 - 3/26/10



NYMEX HENRY HUB FUTURES PRICES



GAS PRICE SUMMARY AS OF 3/26/10

	This Week	+/- Last Week	+/- Last Year	12-Month Strip Avg.
US April futures				
NYMEX	\$3.872	-\$0.297	\$0.241	\$4.482